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Order 2000-1-21

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UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the 24th day of January, 2000

U.S.-CHINA AIR SERVICES (2001)

Served: January 26, 2000

Docket OST-99-6323 -365

ORDER INSTITUTING PROCEEDING

SUMMARY

By this order we institute the **U.S.-China Air Service (2001)** case to consider the selection of a fourth U.S. carrier to serve the market and to allocate 10 additional weekly frequencies to designated carriers to provide scheduled services in the market, effective April 1, 2001, under the April 8, 1999 Protocol that amended the U.S.-China Transport Services Agreement (the "Agreement").

BACKGROUND

Under the U.S.-China aviation agreement, until April 1, 2001, the United States may authorize three U.S. carriers to serve the U.S.-China market, subject to limitations on the number of frequencies that may be operated. The three carriers now designated to serve China are United Air Lines, Northwest Airlines, and Federal Express Corporation. United operates combination services, Northwest operates combination and all-cargo services, and Federal Express operates all-cargo services.

By Notice dated October 6, 1999, and served October 12, 1999, we set forth the circumstances of the U.S.-China scheduled service market under which a fourth U.S. carrier designation and 10 additional weekly frequencies are available for allocation effective April 1, 2001, and we invited interested carriers to submit certificate and/or frequency allocation applications to use these available frequencies. In the notice we stated that after the applications were received and answers and replies filed, we would issue an order instituting a proceeding to determine which carrier(s) should be selected to use the available rights and establishing a procedural schedule for the submission of evidentiary material (*i.e.*, carrier and departmental information responses as well as direct and rebuttal exhibits and briefs by the carrier and civic parties) needed by the Department to make its selection(s).

APPLICATIONS AND RESPONSIVE PLEADINGS

Applications were filed by American Airlines, Inc. (American), Delta Air Lines, Inc. (Delta), Federal Express Corporation (Federal Express), Northwest Airlines, Inc. (Northwest), Polar Air Cargo, Inc. (Polar), United Air Lines, Inc. (United), and United Parcel Service Company (UPS). The three incumbent carriers—Federal Express, Northwest, and United—request additional frequencies. American, Delta, Polar, and UPS request to be designated as the fourth U.S. carrier and each requests frequencies. See Appendix A for a summary of the carriers' applications.

Consolidated answers to the applications were filed by each of the applicants, the International Brotherhood of Teamsters (Teamsters), and by a number of civic parties—the Port of Portland, Oregon (Portland); Wayne County, Michigan and the Detroit Metropolitan Wayne County Airport (Detroit); the Ontario, California International Airport (Ontario); the Louisville, Kentucky International Airport (Louisville); the City and County of San Francisco (San Francisco); the City of Chicago (Chicago); the Greater Rockford, Illinois Airport Authority (Rockford); and the State of Alaska/Anchorage and Fairbanks International Airports (Alaska).¹ Each applicant carrier, and Portland, Louisville, San Francisco, Chicago, Rockford, and Alaska, also filed replies to the answers.

In general each applicant argues that its proposal is superior to all others and each states that in an evidentiary proceeding it would show that its proposal would provide greater public benefits than any other carrier's proposal. The Teamsters support the proposal of UPS. The civic parties support the application(s) of a carrier(s) whose proposed U.S.-China service would provide benefits at a local or nearby airport. We have specifically identified the interest of the civic parties in Appendix B.

In addition, Federal Express requests that the Department assign this proceeding to an Administrative Law Judge to conduct an oral evidentiary hearing, arguing that an analysis of the issues involved in this case will be complex, highly visible, and controversial and that the record in this case needs to be established in an oral evidentiary hearing. American, Delta, Northwest, United, UPS, Rockford, Louisville, San Francisco, and Chicago object to Federal Express' request, arguing that: (1) Federal Express has failed to support or justify its request for an oral evidentiary hearing; (2) although there are many complicated issues involved in this proceeding, the Department is capable of deciding such cases on the basis of a written record consisting of direct exhibits, rebuttal exhibits, and briefs; and (3) an oral evidentiary hearing would significantly increase the burden and expense imposed on both the Department and the parties to this proceeding.

¹ Alaska filed a motion for leave to file an otherwise unauthorized document and the Teamsters filed a petition for leave to intervene as a party. We will grant Alaska's motion. The Teamsters did not need to file a petition for leave to intervene under the Department's regulations (14 CFR 302.6) in order to submit their comments on this case. We will consider their petition and accompanying statement as an answer and include it in the record.

Finally, United and UPS request that the Department's evidence request for this proceeding solicit certain information.² We address those requests below under Procedures and Evidence.

DECISION

We have decided to institute the **U.S.-China Air Service (2001)** case to consider the selection of an additional U.S. carrier to serve the market and the allocation of 10 additional weekly frequencies to designated carriers to provide scheduled services in the market, effective April 1, 2001. By this order we also establish further procedures and a procedural schedule that will be used in the comparative selection proceeding. This proceeding will consider the applications of American, Delta, UPS, and Polar for the available U.S. carrier designation, and the applications of those carriers and Federal Express, Northwest, and United for allocation of some or all of the 10 new weekly frequencies available for allocation.

As we have already solicited applications for allocation of the available designation and frequencies, we will not provide a further opportunity for applications for the authority at issue.

Whether granting the available authority for U.S.-China service is required by the public interest will not be at issue. The rights involved constitute a valuable resource obtained in exchange for granting China route opportunities for its airlines to serve the United States. The introduction of additional U.S. carrier service will provide new service options to travelers and/or shippers and will enhance competition in the U.S.-China market. In these circumstances, we find that the public interest clearly calls for use of the rights.

In determining which carrier(s)/gateway(s) will be authorized, our principal objective will be to maximize the public benefits that will result from award of the authority in this case. In this regard, we will consider which applicant(s) will be most likely to offer and maintain the best service for the traveling and/or shipping public. We will also consider the effects of the applicants' service proposals on the overall market structure and level of competition in the U.S.-China market, and any other market shown to be relevant, in order to promote an air transportation environment that will sustain the greatest public benefits. In addition, we will consider other factors historically used for carrier selection where they are relevant.

The Agreement provides for combination services via Tokyo or another point in Japan to Shanghai, Guangzhou, Beijing, and two additional points in China, and for all-cargo services via any intermediate point to any point or points in China and beyond to any points. All services to China are subject to frequency limitations. We are prepared to consider in this proceeding the award of intermediate and beyond authority as set forth in the amended agreement, provided that such proposals are consistent with, and may be implemented under, the relevant bilateral aviation agreements.

In order to assure that the valuable route rights at issue are not wasted, we intend to issue backup authority in this case for effectiveness should the selected carrier(s) not operate the proposed service(s). Our primary focus in awarding backup authority will be the same as for awarding

² UPS also submitted a proposed procedural schedule.

primary authority and we will consider the same factors for both the primary award(s) and the backup award(s).

Procedures and Evidence

We have decided to use written, non-oral, show-cause procedures under Rule 1750 of our regulations (14 CFR 302.1750) in deciding this case. We believe that such procedures are appropriate and that by using these procedures we can establish a complete evidentiary record and make a selection with the least possible delay and without unnecessary costs to the applicants.

We are unpersuaded by Federal Express' arguments that the issues in this case require resolution in an oral evidentiary hearing. The written procedures we are prescribing here afford all parties a full opportunity to comment on all other parties' proposals, both in the rebuttal and brief stages of the proceeding. In addition, all parties will have a still further opportunity to comment in response to a tentative Department decision in this case. Federal Express has presented no basis to conclude that further procedures would be necessary for the Department to consider adequately the issues in this case. No other party supports Federal Express' request. Moreover, the Department has handled cases of similar magnitude and complexity under the written hearing procedures we are prescribing here.³ Federal Express has not demonstrated that the issues in this case differ so significantly from those of other cases handled by the Department under written procedures as to warrant the exceptional use of oral evidentiary procedures here. We find no material issues of fact that would warrant an oral evidentiary hearing in this case.

We have appended to this order an evidence request (Appendix C) for the benefit of the parties to this case. We emphasize that the evidence request includes specific instructions regarding the type and format of the information to be submitted and, in some instances, the sources of information to be used. We view adherence to these directives as critical to our consideration of the proposals in carrier selection cases. We put all applicants in this case on notice that we expect full compliance with the evidence request appended to this order. Any carrier not complying in any material respect with our request will be subject to elimination from consideration for an award in this case.

In addition to the material requested, applicants and any other parties may submit any additional information that they believe will be useful to us in reaching a decision. To the extent that carriers want to offer alternative traffic forecasts, based on fully documented sources, they are free to do so as additional information for our consideration and comment by other parties to this case. At a minimum, however, applicant carriers must provide a forecast in the format and using the sources set forth in the appended evidence request.

We note that UPS and United have made certain suggestions regarding the evidence to be submitted. Specifically, United requests that applicants use a standard assumption for passenger and baggage weight and for passenger load factors. UPS requests that (1) all applicant carriers

³ See, for example, the *U.S.-London 1993 Route Proceeding*, Docket 49052, and the *U.S.-Japan Service Proceeding*, Docket OST-98-3419.

provide real time schedules in local time (summer and winter) for proposed services; (2) all applicant carriers provide a description of both freight and express collection and distribution systems in the United States and China; (3) all applicant carriers provide available cargo capacity, and assumptions including baggage loads for passenger services and cargo density and stacking loss; and (4) all applicants for combination service provide passenger traffic data, including traffic carried on any code-sharing partner's aircraft for both historical periods of time and the forecast period (which should be separately identified). (See, UPS' Reply, Exhibit B). No parties objected to either carrier's requests. We find that the carriers' requests are reasonable and may provide information useful in developing a complete record in this case. Therefore, we have incorporated the carriers' requests to the extent not already included in our standard evidentiary requirements in the evidence request set forth in the attached appendix.

Finally, we will require Federal Express, Northwest, and United, the U.S. carriers currently operating service in the U.S.-China market, to file the service data set forth in the attached appendix at 2, section III.A.2. We find that such data are necessary for a complete record in this case and, therefore, we are exercising our authority under 49 U.S.C. 41708 to require these carriers to file the specified data. Also, in keeping with our goal of ensuring a complete record, we have specifically requested evidence that will enable us to weigh the merits of proposals from applicants that may be operating both direct service as well as code-share service.

Consistent with our policy with respect to limited-entry route rights, to the extent that carriers require new certificate authority to implement their proposed service, we will award the U.S.-China route authority at issue in this proceeding in the form of temporary, experimental certificates of public convenience and necessity under 49 U.S.C. 41102(c). The duration of the authority will be five years for the primary carrier and one year for the backup carrier, unless the latter authority is activated during that time, in which case, it will continue in effect for five years.⁴

We will not award certificates authorizing generalized U.S.-China and beyond route authority broader than that specifically proposed to be served. In a comparative selection proceeding, carriers are selected based on their specific service proposals, and the experimental certificates awarded make clear that the award is intended to ensure that the carrier can be measured on the proposal for which it was selected.⁵ Therefore, it has been our practice to issue the certificate authority for the markets the carriers actually have submitted a proposal to serve. We expect all applicants to provide specific service proposals at the direct exhibit stage. Carriers should not expect a final award in this case to grant them authority other than that which is included in the service proposals presented in this proceeding.

Consistent with our current practice, the frequencies allocated in this proceeding will be for an indefinite term, provided that the carrier(s) continue to hold the underlying economic authority to serve the market. The frequencies to be awarded will also be subject to our standard 90-day

⁴ See Section 399.120 of our regulations (14 CFR Part 399).

⁵ See (e.g.) Order 95-10-24 at 10 (*U.S.-Peru Combination Service Proceeding*, Docket OST-95-370) and Order 97-9-2 at 6 (*1997 U.S.-Brazil Combination Service Proceeding*, Docket OST-96-2016).

automatically and revert to the Department for reallocation so that they may be available for other carriers on an immediate basis should they seek to use them.

Procedural Timetable

The Agreement provides valuable new rights for U.S. carriers to serve China effective April 1, 2001. We believe that it is in the public interest to select carriers on a timetable that will allow the selected carrier(s) to enjoy the maximum benefit of these rights as soon as they become available. To this end, we are establishing the following procedural schedule for submissions in this case:

DOT Information Responses	January 28, 2000
Carrier Information Responses	February 1, 2000
Direct Exhibits	February 29, 2000
Rebuttal Exhibits	March 28, 2000
Briefs	April 25, 2000

All dates are delivery dates and all submissions must be filed in the docket assigned to this proceeding. An original and five copies of all submissions are to be received at the Department of Transportation, Dockets, no later than the dates indicated.⁷ In the alternative, parties are encouraged to use the electronic submission capability through the Dockets DMS Internet site (<http://dms.dot.gov>) by following the instructions at the web site. For the convenience of the parties, service by facsimile is authorized. Parties should include their fax numbers on their submissions and should indicate on their certificates of service the methods of service used.

ACCORDINGLY,

1. We institute the **U.S.-China Air Services (2001)** case in Docket OST-99-6323, to be decided by non-oral, show-cause procedures under Rule 1750 of our regulations (14 CFR 302.1750);
2. The proceeding in ordering paragraph 1 will consider the following issues:
 - a. Which carrier, if any, should be selected as the fourth carrier authorized for service between the United States and China, under the April 8, 1999 Protocol that amended the U.S.-China Transport Services Agreement and which carrier, in the event of such a selection, should be selected as the backup carrier;
 - b. How should the 10 weekly available frequencies be allocated;
 - c. What other authorities, including route integration authority, should be granted in conjunction with the China services authorized in this proceeding; and
 - d. What terms, conditions, and limitations should be imposed on any authority awarded in this proceeding;

⁷ The original filing should be on 8½" x 11" white paper using dark ink and be unbound without tabs, which will expedite use of our docket imaging system.

c. What other authorities, including route integration authority, should be granted in conjunction with the China services authorized in this proceeding; and

d. What terms, conditions, and limitations should be imposed on any authority awarded in this proceeding;

3. We require that petitions for reconsideration of this order be filed no later than seven calendar days from the date of service of this order; answers to such petitions shall be due no later than five calendar days thereafter;

4. We deny the request of Federal Express Corporation that we assign this proceeding to an Administrative Law Judge for an oral evidentiary hearing;

5. We grant the motion of the State of Alaska/Anchorage and Fairbanks International Airports for leave to file an otherwise unauthorized document in Docket OST-99-6323; and

6. We will serve this order on American Airlines, Inc.; Delta Air Lines, Inc.; Federal Express Corporation; Northwest Airlines, Inc.; Polar Air Cargo, Inc.; United Air Lines, Inc.; United Parcel Service Company; the Port of Portland; Wayne County, Michigan and the Detroit Metropolitan Wayne County Airport; the Greater Rockford Airport Authority; the Louisville International Airport; the Ontario, California International Airport; the City of Chicago; the City and County of San Francisco; the State of Alaska/Anchorage and Fairbanks International Airports; the International Brotherhood of Teamsters; the Ambassador of the People's Republic of China in Washington, D.C.; and the U.S. Department of State (Office of Aviation Negotiations).

By:

A. BRADLEY MIMS

Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at
http://dms.dot.gov/reports/reports_aviation.asp*

Summary of Applications for U.S.-China Air Services (2001)

Appendix A

Docket OST-99-6323

One Additional Carrier Designation and 10 Weekly Frequencies Are Available

Applicants	Current Service	2001 Frequencies
Total Frequencies	44 weekly frequencies now allocated	51 Requested 10 Available
Northwest	15 weekly frequencies <u>Combination Service</u> 7 weekly Detroit-Beijing (4 nonstop and 3 via Tokyo) 4 weekly Detroit-Shanghai via Tokyo 2 weekly Detroit-Shanghai (nonstop) effective April 1, 2000 <u>All-Cargo Service</u> 2 weekly ORD-ANC-Tokyo-Shanghai service	5 Frequencies Requested <u>Combination Service</u> 1 weekly to expand Detroit-Beijing service (via Tokyo) 2 weekly to expand Detroit-Shanghai service (one nonstop and one via Tokyo) <u>All-Cargo Service</u> 2 weekly to expand ORD-ANC-Tokyo-Shanghai service
United	19 weekly frequencies (combination service) 7 weekly SFO-Tokyo-Beijing (nonstop to Beijing beginning in summer 2000) 7 weekly SFO-Tokyo-Shanghai (will be switched to nonstop ORD-Shanghai effective April 1, 2001) 5 weekly SFO-Shanghai (effective April 1, 2000)	2 Requested Frequencies (combination service) 2 weekly to expand SFO-Shanghai nonstop service
Federal Express	10 weekly frequencies (all-cargo service) Complex schedule serving Beijing, Shanghai, and Shenzhen	8 Frequencies Requested (all-cargo service) To provide six-day-per-week all-cargo service each to Beijing, Shanghai, and Shenzhen
American	None—would need designation	10 Frequencies Requested (combination service) 7 weekly ORD-Shanghai nonstop 3 weekly ORD-Beijing nonstop
Delta	None—would need designation	10 Frequencies Requested (combination service) 7 weekly for ATL-NYC-Beijing-Shanghai service 3 weekly for Portland-Beijing-Shanghai service
UPS	None—would need designation	10 Frequencies Requested (all-cargo service) 6 weekly for Ontario-ANC-Beijing-Shanghai service 4 weekly for EWR-ANC-Shanghai service (via Tokyo)
Polar	None—would need designation	6 Frequencies Requested (all-cargo service) 2 weekly for JFK-ORD-ANC-Seoul-Beijing-Shanghai-Seoul-ANC-ORD-JFK service 2 weekly for JFK-ORD-ANC-Seoul-Beijing-Guangzhou-Shanghai-Seoul-ANC-ORD-JFK service 2 weekly for LAX-SFO-ANC-Seoul-Beijing-Shanghai-Seoul-ANC-SFO-LAX service

Legend: ORD=Chicago, ANC=Anchorage, SFO=San Francisco, ATL=Atlanta, NYC=New York City, EWR=Newark, JFK=New York (JFK), and LAX=Los Angeles.

**Civic Party Answers
U.S.-China Air Services
Docket OST-99-6323**

Civic Party	Applicant(s)
Port of Portland	Supports Delta's application for certificate authority and allocation of 10 weekly frequencies.
Wayne County, Michigan and the Detroit Metropolitan Wayne County Airport	Supports Northwest's application for allocation of five weekly frequencies.
Ontario, California International Airport	Supports UPS' application for certificate authority and allocation of 10 weekly frequencies.
Louisville, Kentucky International Airport	Supports UPS' application for certificate authority and allocation of 10 weekly frequencies.
City and County of San Francisco	Supports United's application for two weekly frequencies.
City of Chicago	Supports American's application for certificate authority and allocation of 10 weekly frequencies. In the event that American is awarded only the frequencies necessary to provide daily Chicago-Shanghai nonstop service, Chicago supports the allocation of two frequencies to United to enable it to inaugurate daily Chicago-Shanghai service.
Greater Rockford, Illinois Airport Authority	Supports UPS' application for certificate authority and allocation of 10 weekly frequencies.
State of Alaska/Anchorage and Fairbanks International Airports	Supports the applications for cargo frequencies by UPS, Federal Express, Polar and Northwest.

EVIDENCE REQUEST

Advisory Regarding Compliance

In responding to this evidence request, all parties are advised to heed the admonitions and notice regarding compliance contained in the attached order, at 4.

I. Public Disclosure of Data

Pursuant to sections 241.19-6 of the Department's regulations, it is determined that the Department's T-100 data for both passenger and cargo operations for the period January 1, 1996, through a final Department decision in this proceeding, and the Origin & Destination Survey Data (Data Bank 2-A) for the period January 1, 1996, through a final Department decision in this proceeding, for operations between the United States and China, are material and relevant to a final determination of the issues in this case. Those will be released to the U.S. carriers and U.S. non-airline civic and governmental parties to this proceeding, who will be free to use those data to the extent they deem necessary.

II. Procedures and Ground Rules

In the interest of a complete and adequate record, the parties should submit the following information in the form of exhibits. The exhibits should contain sufficient detail, including sources, bases, all assumptions, and methodology, so that, without further clarification, any party can derive the final results from the basic data.

III. Request for Information and Evidence

A. Information Responses

1. DOT Data

The Competition and Policy Analysis Division of the Office of Aviation Analysis will make available to the parties the following data in the form of information responses:¹

¹ Due to the volume of this material, we will be unable to print and distribute copies to the parties. One copy of these materials will be made available for the parties' use in Room 4201, 400 Seventh Street, S.W., Washington, D.C. In addition, the Department will issue on request copies of the information responses on computer diskettes. Parties who wish to receive diskette versions of the information responses, should contact the Competition and Policy Analysis Division, at (202) 366-2352. The Department will make this material available no later than the date specified in the text of the order.

Use of the data contained in the Department's Information Responses (either from hard-copy or computer diskette) is restricted to representatives of applicant carriers and interested U.S. parties (*i.e.*, those that have filed applications or comments) in this proceeding.

(a) T-100 and T-100 (f) nonstop segment passenger data, by month, beginning January 1, 1996, through the latest available month, between the United States, on the one hand, and China, on the other.

(b) T-100 and T-100 (f) on-flight market passenger data, by month, beginning January 1, 1996, through the latest available month, between the United States, on the one hand, and China, on the other.

(c) For the calendar years 1996 through 1998 and for the twelve months ended June 30, 1999, O&D traffic from Table 15 of the Department's O&D Survey between all U.S. points, on the one hand, and Beijing and Shanghai, on the other.

(d) For calendar year 1996 through 1998 and for the twelve months ended June 30, 1999, O&D traffic from Table 15 of the Department's O&D Survey between all U.S. points, on the one hand, and Beijing and Shanghai, China, on the other, that used the following gateways: Detroit, and San Francisco, and "all others."

(e) T-100 and T-100 (f) nonstop segment cargo data, including *inter alia* belly cargo, by month, beginning January 1, 1996, through the latest available month, between the United States, on the one hand, and China, on the other.

(f) T-100 and T-100 (f) on-flight market cargo data, including *inter alia* belly cargo, by month, beginning January 1, 1996, through the latest available month, between the United States, on the one hand, and China, on the other.

2. Incumbent Carrier Data (Federal Express, Northwest, and United)

For each month for the twelve months ended December 31, 1999, provide the number of flights and complete flight itinerary for all flights operated in each city-pair market where service was provided in the U.S.-China market, and the type of aircraft used in providing those services. If service was seasonal, the markets and level of service should be clearly identified. Carriers should distinguish between flights operated under code-share arrangements and those that are not operated under code-share arrangements.

B. Direct Exhibits

The applicant carriers are directed to provide the sources, in exhibit form, for their traffic forecast. The source data for passenger traffic forecasts made by any party shall be (1) the O&D Survey, or (2) the U.S. International Air Travel Statistics (commonly referred to as INS Data), or (3) T-100 and T-100 (F) data, or (4) a combination of these data sources, provided that the respective contributing role of each source is clearly identified. The source data and methodology for cargo forecasts should be clearly explained. For both passenger and cargo

forecasts, applicants should indicate growth rates, stimulation rates, and participation rates, and clearly outline the bases for such rates.²

Any party may provide a separate, additional passenger forecast based on other source data if it wishes, but if so, that party should clearly explain the differences between its data source and the four specified above (*e.g.*, differences in collection methods, or adjustments made to raw data). Furthermore, the information in such additional forecast shall be set forth in such a manner that any party could construct a passenger traffic forecast from the exhibits without the necessity of having the actual source document at hand.

1. Applicant Carriers

Submit, at a minimum, the following:³

- (1) Schedule of flights, showing a firm date for instituting service in the market(s), proposed to be operated in the forecast year (12 months ending March 31, 2002) in the U.S.-China market. Applicants proposing passenger service should submit schedules for both single-plane and nonstop-to-nonstop flights. If a carrier intends to offer seasonal service, it must so specify and specify the period during which seasonal service would be offered.

Schedules should contain flight numbers, complete routings from origin to destination (including behind-gateway and beyond-gateway points), departure and arrival times in local time (with time difference between local time and time at point of origin), equipment types (including the seat configuration by class of service and the cargo capacity available), days scheduled, classes of service offered, and the limitations, if

² The base year for traffic forecasting purposes should be the 12 months ended June 30, 1999, and the forecast year should be the 12 months ended March 31, 2002.

³ The original filing should be on 8½" x 11" white paper using dark ink and be unbound without tabs, which will expedite use of our docket imaging system. In the alternative, parties are encouraged to use the electronic submission capability available through the Dockets DMS Internet site (<http://dms.dot.gov>) by following the instructions on the web site.

Carriers should also provide the Department with a computer diskette of all information responses, exhibits, and briefs prepared using electronic spreadsheet or word processing programs. Such diskettes should be filed with the Department's Competition and Policy Analysis Division of the Office of Aviation Analysis, X-55, Room 6401, 400 Seventh Street, S.W., Washington, D.C. 20590. Diskettes should be DOS formatted. Submissions prepared with Microsoft Excel®, Lotus 1-2-3® (version 3.x or earlier), Microsoft Word®, or WordPerfect® (version 5.2 or earlier) should be filed in their native formats. Parties using other software may either (1) file IRs, exhibits and briefs in the foregoing formats, or (2) contact Mr. Michael Lane at (202) 366-2352 for format compatibility information or to seek a waiver, which will be considered on an *ad hoc* basis. Submissions in electronic form will assist the Department in quickly analyzing the record and preparing its decision. The paper copy of all submissions, however, will be the official record.

any, on the number of seats available for each class of service or the cargo capacity available;⁴

(b) Passenger traffic forecasts, if applicable, on an O&D market-by-market (city-pair) basis (single-plane and on-line connecting and, to the extent possible, interline connecting) for the 12 months ending March 31, 2002. Cargo traffic forecast (revenue tons), if applicable, for the 12 months ending March 31, 2002. The forecasts should be based upon the applicant's proposed schedules and should detail specifically the data sources of all traffic. Include any anticipated traffic changes in other markets on the applicant's existing system, including but not limited to diversion and service level/aircraft changes as a result of the proposal in this case. The basis for any forecasting technique used should be clearly explained. Indicate any anticipated seasonal fluctuations. In addition, cargo traffic forecast should include separate traffic forecasts by direction for:

- (1) single-plane U.S. point(s)-China point(s) and single-plane U.S. points(s)-Third country point(s) traffic to be carried;
- (2) behind-gateway traffic (excluding single-plane traffic), *i.e.*, total all other U.S. points-China point(s) and total all other U.S. points-Third country point(s) to be carried over the proposed U.S. gateway(s) or any single-plane behind gateway point(s) to be served;
- (3) total Third country-China traffic to be carried on the proposed services; and
- (4) total Third country-Third country traffic that would be carried on the proposed services.

For all four of the market types specified above, cargo forecasts should also separately specify the percentage of express/small package and general air freight expected to be carried. If mail is expected to be carried, this should also be shown separately.

(c) An indication whether or not the aircraft to be used in the proposed schedules are on hand or on order. If on hand, indicate where and the extent to which those aircraft are currently being used. If on order by purchase or lease, indicate when they will be delivered and how the aircraft will be financed. Indicate whether the aircraft to be used comply with FAR-36. If not, indicate plans for achieving compliance;

(d) Estimated number of gallons of fuel to be consumed by aircraft type in the forecast year as a result of the proposed service;

⁴ For combination service, cargo capacity should be computed using a standard total weight for a passenger and its baggage of 224 pounds and should be computed at passenger load factors of both 70 percent and 100 percent and should be shown on a month-by-month basis.

(e) A description of any code-sharing agreements with foreign carriers providing for the applicant's proposed service to be marketed under the foreign carrier's codes, or for U.S.-China service operated by the foreign carrier to be marketed under the applicant's code, including a description of integrated connecting services to be provided by the applicant's code-sharing partner(s).⁵ If there is an existing code-share relationship with a carrier(s) involving the U.S.-China market, provide in detail a description of whether the proposed services in this proceeding will replace, supplement, or decrease operations with said code-share partner (s). Any carrier operating under a code-share agreement that has not filed that agreement, or any revisions thereto, with the Department should provide a copy of that agreement, and any revisions, in its direct exhibits. If both code-share and separate operations will be conducted, the applicant's exhibits should clearly reflect the full scope of the carrier's operations, including the levels of service under each operational arrangement, the cities to be served, and traffic forecasts;

(f) A separate description of collection and distribution systems in the United States and China for freight and express/small package air cargo: and

(g) Responses to the following interrogatories: ⁶

(1) If the carrier is selected for primary authority, will it accept a condition in the certificate requiring institution of service by a date specified by the Department? What date should the Department specify?

(2) If the carrier is selected for back-up authority, will it accept a condition in its certificate that (a) permits it to implement the authority within the first year should the primary carrier withdraw from the market, and (b) expires at the end of one year should the authority not be activated?

(3) If an applicant is not awarded all of the frequencies that it has requested, what is the order of precedence for each of the applicant's proposal.

⁵ Traffic forecasts under III.B.1.(b), *supra*, should separately show connecting feed from the applicant's foreign-flag code-sharing partner(s).

⁶ Any certificate issued in this case for primary authority would be for five years' duration, and any backup certificate issued would be for one year.